

**PROPOSED CHARGING LETTER**

BJ Services Company USA, L.P.  
11211 FM 2920  
Tomball, TX 77375

Attn: *Mark Hoel*  
*Vice-President, Technology and Logistics*

Dear Mr. Hoel:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has reason to believe that BJ Services Company USA, L.P. ("BJ Services") of Tomball, Texas has committed 37 violations of the Export Administration Regulations (the "Regulations"),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979 (the "Act").<sup>2</sup> Specifically, BIS charges that BJ Services committed the following violations:

**Charges 1-13            15 C.F.R. § 764.2(a) - Unlicensed exports of chemicals**

On 13 occasions from on or about October 9, 1999 through on or about June 24, 2002, BJ Services engaged in conduct prohibited by the Regulations by exporting items subject to the Regulations from the United States to various destinations without the licenses required by

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The violations charged occurred from 1999 to 2002. The Regulations governing the violation at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). The 2005 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect until it expired on August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 6, 2004, 69 *Fed. Reg.* 48763 (August 10, 2004), has continued the Regulations in effect under the IEEPA.

Section 742.2 of the Regulations. The items exported were CXB-6 (a chemical mixture containing triethanalomine) and ammonium bifluoride.<sup>3</sup> In doing so, BJ Services committed 13 violations of Section 764.2(a) of the Regulations. For further detail, see the attached schedule of violations, which is incorporated herein by reference.

**Charges 14-25      15 C.F.R. § 764.2(e) - Unlicensed exports of chemicals knowing that a violation of the Regulations was to occur**

On 12 occasions from on or about October 9, 1999 through on or about June 24, 2002, in connection with the above-referenced transactions, BJ Services sold CXB-6 and ammonium bifluoride, items subject to the Regulations and classified under ECCN 1C350, with knowledge that violations of the Regulations were about to occur.<sup>4</sup> At all times relevant hereto, BJ Services knew that a Department of Commerce license was required to export these chemicals and that the required licenses would not be obtained. In doing so, BJ Services committed 12 violations of Section 764.2(e) of the Regulations. For further detail, see the attached schedule of violations, which is incorporated herein by reference.

**Charges 26-37      15 C.F.R. § 764.2(g) - False Statements in Shipper's Export Declarations and Automated Export System filings**

On 12 occasions from on or about October 9, 1999 through on or about June 24, 2002, in connection with the above-referenced transactions, BJ Services engaged in conduct prohibited by the Regulations by filing or causing to be filed with the United States Government Shipper's Export Declarations and Automated Export System submissions that falsely stated the items at issue qualified for export from the United States as NLR ("No License Required").<sup>5</sup> These representations were false because, as described above, licenses were required to export these items. In doing so, BJ Services violated Section 764.2(g) of the Regulations. For further detail, see the attached schedule of violations, which is incorporated herein by reference.

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<sup>3</sup> The ammonium bifluoride exports were classified under Export Control Classification Number ("ECCN") 1C350.a.1. Each CXB-6 export made in 2000 and 2001 was classified under ECCN 1C350.c and ECCN 1C350.a.51. The 2002 CXB-6 exports were classified under ECCN 1C350.c.9.

<sup>4</sup> Charges 14-25 relate to each of the exports referred to in Charges 1-13 except the export that occurred on or about September 10, 2001.

<sup>5</sup> Charges 26-37 relate to each of the exports referred to in Charges 1-13 except the export that occurred on or about September 10, 2001.

Accordingly, BJ Services is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation;<sup>6</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

If BJ Services fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If BJ Services defaults, the Administrative Law Judge may find the charges alleged in this letter are true without hearing or further notice to BJ Services. *See id.* The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on the charges in this letter. *See id.*

BJ Services is further notified that it is entitled to an agency hearing on the record if BJ Services files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. BJ Services is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should BJ Services have a proposal to settle this case, BJ Services or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, BJ Services' answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

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<sup>6</sup> *See* 15 C.F.R. § 6.4(a)(2).

BJ Services Company, USA, L.P.  
Proposed Charging Letter  
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In addition, a copy of BJ Services' answer must be served on BIS at the following address:

Office of Chief Counsel for Industry and Security  
Attention: Roger Pincus  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Roger Pincus is the attorney representing BIS in this case. Any communications that BJ Services may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-2513.

Sincerely,

Michael D. Turner, Director  
Office of Export Enforcement

Enclosure

## BJ Services Company USA, L.P. SCHEDULE OF VIOLATIONS

DATE (on or about)	Violations	ITEM	ECCN	DESTINATION	VALUE
10/9/1999	15 C.F.R. §§ 764.2(a), (e), and (g)	Ammonium bifluoride	1C350.a.1	Russia	\$2,722
4/22/2000	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$66,144
5/4/2000	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$47,099
8/16/2000	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$92,552
9/13/2000	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$41,664
1/3/2001	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$95,123
2/23/2001	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$122,086

3/5/2001	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$18,755
6/15/2001	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c and 1C350.a.51	China	\$13,154
9/10/2001	15 C.F.R. § 764.2(a)	Ammonium bifluoride	1C350.a.1	Colombia	\$1,878
3/19/2002	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c.9	China	\$60,805
3/19/2002	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c.9	China	\$39,749
6/24/2002	15 C.F.R. §§ 764.2(a), (e), and (g)	CXB-6	1C350.c.9	China	\$22,148

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

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In the Matter of: )  
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BJ Services Company USA, L.P. )  
11211 FM 2920 )  
Tomball, TX 77375 )  
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Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Respondent, BJ Services Company USA, L.P. ("BJ Services"), and the Bureau of Industry and Security, U.S. Department of Commerce ("BIS") (collectively referred to as "Parties"), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2005)) ("Regulations"),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) ("Act"),<sup>2</sup>

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<sup>1</sup> The violations alleged to have been committed occurred from 1999 to 2002. The Regulations governing the alleged violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). The 2005 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect until it expired on August 20, 2001. Since August 21, 2001, the EAA has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 6, 2004, 69 *Fed. Reg.* 48763 (August

WHEREAS, BJ Services filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

WHEREAS, BIS has notified BJ Services of its intention to initiate an administrative proceeding against BJ Services, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to BJ Services that alleged that BJ Services committed 37 violations of the Regulations, specifically:

1. *13 Violations of 15 C.F.R. § 764.2(a) - Unlicensed Exports of Chemicals:*

On 13 occasions from on or about October 9, 1999 through on or about June 24, 2002, BJ Services engaged in conduct prohibited by the Regulations by exporting items subject to the Regulations from the United States to various destinations without the licenses required by Section 742.2 of the Regulations. The items exported were CXB-6 (a chemical mixture containing triethanalomine) and ammonium bifluoride.

2. *12 Violations of 15 C.F.R. § 764.2(e) - Unlicensed exports of chemicals knowing that a violation of the Regulations was to occur:* On 12 occasions from on or about October 9, 1999 through on or about June 24, 2002, in connection with 12 of the 13 above-referenced transactions, BJ Services sold CXB-6 and ammonium bifluoride, items subject to the Regulations and classified under ECCN 1C350,

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10, 2004), has continued the Regulations in effect under the IEEPA.

with knowledge that violations of the Regulations were about to occur.<sup>3</sup> At all times relevant hereto, BJ Services knew that a Department of Commerce license was required to export these chemicals and that the required licenses would not be obtained.

3. *12 Violations of 15 C.F.R. § 764.2(g) - False Statements in Shipper's Export Declarations and Automated Export System filings:* On 12 occasions from on or about October 9, 1999 through on or about June 24, 2002, in connection with 12 of the 13 above-referenced transactions, BJ Services engaged in conduct prohibited by the Regulations by filing or causing to be filed with the United States Government Shipper's Export Declarations and Automated Export System submissions that falsely stated the items at issue qualified for export from the United States as NLR ("No License Required").<sup>4</sup> These representations were false because, as described above, licenses were required to export these items.

WHEREAS, BJ Services has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

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<sup>3</sup> The 12 alleged violations of 15 C.F.R. § 764.2(e) relate to each of the transactions referred to in the 13 alleged violations of 15 C.F.R. § 764.2(a) except the transaction that occurred on or about September 10, 2001.

<sup>4</sup> The 12 alleged violations of 15 C.F.R. § 764.2(g) relate to the transactions referred to in footnote 3 above.

WHEREAS, BJ Services fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

WHEREAS, BJ Services enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, BJ Services states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, BJ Services neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, BJ Services wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, BJ Services agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over BJ Services, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanctions shall be imposed against BJ Services in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and proposed charging letter:

- a. BJ Services shall be assessed a civil penalty in the amount of \$142,450 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order;

- b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to BJ Services. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of BJ Services' export privileges for a period of one year from the date of imposition of the penalty.
- c. BJ Services shall perform an audit of its internal compliance program not less than 18 months from the date of entry of the Order and not more than 24 months from the date of entry of the Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS web site at <http://www.bis.doc.gov/exportmanagementsystems/default.htm> and which is incorporated by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 525 South Griffin Street, Dallas, TX 75202 no later than 25 months from the date of the entry of the Order.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, BJ Services hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order, timely payment of the \$142,450 civil penalty, and submission of the audit described above, BIS will not initiate any further administrative proceeding against BJ Services in connection with violations of the Act or the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation, or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. government with respect to the facts and circumstances addressed herein.

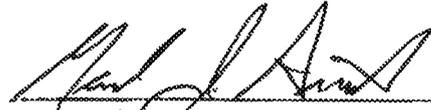
8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE

BJ SERVICES COMPANY USA, L.P.

  
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Michael D. Turner  
Director  
Office of Export Enforcement

  
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Mark Airola  
Assistant General Counsel and  
Chief Compliance Officer

Date: 07/05/2005

Date: 6/29/05

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

..... )  
In the Matter of: )

BJ Services Company USA, L.P. )  
11211 FM 2920 )  
Tomball, TX 77375 )

Respondent. )  
..... )

ORDER RELATING TO BJ SERVICES COMPANY USA, L.P.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified BJ Services Company USA, L.P. ("BJ Services") of its intention to initiate an administrative proceeding against BJ Services pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2005) ("Regulations"),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. App. §§ 2401-2420 (2000)) ("Act"),<sup>2</sup> by issuing a proposed charging letter to BJ Services that alleged that BJ

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<sup>1</sup> The violations alleged to have been committed occurred from 1999 to 2002. The Regulations governing the alleged violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). The 2005 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect until it expired on August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 6, 2004, 69 *Fed. Reg.* 48763 (August 10, 2004), has continued the Regulations in effect under the IEEPA.

Services committed 37 violations of the Regulations. Specifically, the charges set forth in the proposed charging letter are:

1. *13 Violations of 15 C.F.R. § 764.2(a) - Unlicensed Exports of Chemicals:*

On 13 occasions from on or about October 9, 1999 through on or about June 24, 2002, BJ Services engaged in conduct prohibited by the Regulations by exporting items subject to the Regulations from the United States to various destinations without the licenses required by Section 742.2 of the Regulations. The items exported were CXB-6 (a chemical mixture containing triethanalomine) and ammonium bifluoride.

2. *12 Violations of 15 C.F.R. § 764.2(e) - Unlicensed exports of chemicals knowing*

*that a violation of the Regulations was to occur:* On 12 occasions from on or about October 9, 1999 through on or about June 24, 2002, in connection with 12 of the 13 above-referenced transactions, BJ Services sold CXB-6 and ammonium bifluoride, items subject to the Regulations and classified under ECCN 1C350, with knowledge that violations of the Regulations were about to occur.<sup>3</sup> At all times relevant hereto, BJ Services knew that a Department of Commerce license was required to export these chemicals and that the required licenses would not be obtained.

3. *12 Violations of 15 C.F.R. § 764.2(g) - False Statements in Shipper's Export*

*Declarations and Automated Export System Filings:* On 12 occasions from on or

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<sup>3</sup> The 12 alleged violations of 15 C.F.R. § 764.2(e) relate to each of the transactions referred to in the 13 alleged violations of 15 C.F.R. § 764.2(a) except the transaction that occurred on or about September 10, 2001.

about October 9, 1999 through on or about June 24, 2002, in connection with 12 of the 13 above-referenced transactions, BJ Services engaged in conduct prohibited by the Regulations by filing or causing to be filed with the United States Government Shipper's Export Declarations and Automated Export System submissions that falsely stated the items at issue qualified for export from the United States as NLR ("No License Required").<sup>4</sup> These representations were false because, as described above, licenses were required to export these items.

WHEREAS, BIS and BJ Services have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved the terms of the Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$142,450 is assessed against BJ Services which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order;

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, BJ Services will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

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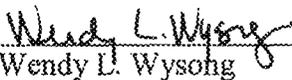
<sup>4</sup> The 12 alleged violations of 15 C.F.R. § 764.2(g) relate to the transactions referred to in footnote 3 above.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to BJ Services. Accordingly, if BJ Services should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of BJ Services' export privileges for a period of one year from the date of entry of this Order.

FOURTH, BJ Services shall perform an audit of its internal compliance program not less than 18 months from the date of entry of the Order and not more than 25 months from the date of entry of the Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS web site at <http://www.bis.doc.gov/exportmanagementsystems/default.htm> and which is incorporated by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 525 South Griffin Street, Dallas, TX 75202, no later than 25 months from the date of the entry of this Order.

FIFTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.

  
Wendy L. Wysoh  
Acting Assistant Secretary of Commerce  
for Export Enforcement

Entered this 5th day of July 2005.